



## Embarcadero Technologies announces third quarter 2003 financial results

Revenues increase 9 percent and GAAP earnings per share increase 150 percent over prior year quarter

Embarcadero Technologies, Inc. (Nasdaq: EMBT), a provider of application and database lifecycle management solutions, today announced results for its third fiscal quarter ended September 30, 2003. Total revenues for the third quarter increased sequentially to \$13.2 million and improved over the prior year third quarter results of \$12.1 million. Net income and diluted earnings per share under Generally Accepted Accounting Principles (GAAP) for the quarter were \$1.5 million and \$0.05, respectively. This compares to GAAP net income and diluted earnings per share of \$681,000 and \$0.02, respectively, in the quarter ended September 30, 2002. Our results for the third quarter were ahead of target and we achieved sequentially higher revenues and profitability, said Stephen Wong, chairman and chief executive officer of Embarcadero Technologies. In the quarter we saw our average license transaction size grow significantly and we continued to generate strong cash flow from operations. We were encouraged by customer activity in the summer and the reception to some of our new products. Cash flow from operations was \$2.7 million in the third quarter and \$9.3 million for the nine months ended September 30, 2003. Cash, cash equivalents, and short-term investments grew by \$2.7 million in the quarter to reach \$50.9 million at September 30, 2003. Non-GAAP Financial Measures Non-GAAP net income was \$1.9 million for the quarter or \$0.07 per diluted share. For the corresponding quarter in 2002, non-GAAP net income was \$1.5 million or \$0.05 per diluted share. Non-GAAP numbers are tax adjusted and exclude the following items: amortization of acquired technology, amortization of non-cash stock-based compensation, and amortization of other intangible assets. A detailed reconciliation of GAAP to non-GAAP net income is provided in the attached financial statements. The non-GAAP measures of net income and earnings per share exclude certain non-cash charges and have not been calculated in accordance with generally accepted accounting principles (GAAP). These differ from GAAP in that the measures exclude amortization of acquired technology, amortization of non-cash stock-based compensation, and amortization of other intangible assets and assume a 32% tax rate, which is higher than our effective tax rate of approximately 29% as computed in accordance with GAAP. Embarcadero has previously provided these non-GAAP measurements in press releases reporting net income and earnings per share because we believe these measurements provide a consistent basis for comparison between quarters that is not influenced by changes in the Company's effective tax rate or certain non-cash or non-recurring expenses and is therefore useful to investors. These measures should not be considered an alternative to GAAP, and these non-GAAP measures may not be comparable to information provided by other companies.

About Embarcadero Technologies Embarcadero Technologies (Nasdaq: EMBT - [www.embarcadero.com](http://www.embarcadero.com)) is a leading provider of software solutions that enable organisations to build, optimise, and manage databases and applications supporting today's critical enterprise systems. Based in Melbourne, Victoria, Embarcadero Australia employs 6 staff in the Australia/New Zealand region and continues to develop and launch products into the Asian markets through both direct sales and a rapidly expanding reseller channel. Over 70,000 users currently deploy Embarcadero Technologies products, including more than 96 of the Fortune 100, to design, develop and administer their mission-critical database applications.

###Forward-Looking Statements. The statements in this press release that are not historical facts are forward-looking statements that involve risks and uncertainties, including risks associated with fluctuations in quarterly results and other risks identified in the Company's periodic filings with the Securities and Exchange Commission including, but not limited to, those appearing under the caption Risk Factors in the Company's most recent Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K. Actual results, events, and performance may differ materially. Readers are cautioned not to place undue relevance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated events. Embarcadero, the Embarcadero Technologies logos and all other Embarcadero Technologies product or service names are trademarks of Embarcadero Technologies, Inc. All other trademarks are property of their respective owners.